Coronavirus Economic Briefing: January 2021

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North Ayrshire Council
Comhairle Siorrachd Àir a Tuath

Key Points[1,2]

UK Economy

- Following six consecutive monthly increases, including an upwardly revised 0.6% increase in October, GDP[3] fell by 2.6% in November 2020.

UK Labour Market

- Estimates for September to November 2020 show 32.50 million people aged 16 years and over in employment, 398,000 fewer than a year earlier.

North Ayrshire Labour Market

- North Ayrshire’s Oct 2019-Sep 2020 unemployment rate climbed 1.0% since Jul 2019 – Jun 2020, while its economic inactivity rate has increased 2.5 percentage points on the same period for the previous year.

Claimant Count

- The North Ayrshire rate for claimants as a proportion of the working age population (aged 16-64) remains the highest in Scotland at 8.2%.

North Ayrshire Retail Sector

- Google mobility data shows that North Ayrshire retail and recreation footfall has been severely hit throughout the post Christmas period

1. This monthly economic briefing is provided to inform the Council’s Emergency Management Team (EMT) and the Economic Development and Regeneration (EDR) Senior Management Team (SMT) of economic analyses and to inform work on recovery and renewal. It covers a summary of key economic briefings/publications by national bodies and business organisations. It focuses on national economic intelligence, with local economic intelligence being gathered by EDR services on an ongoing basis. This briefing will also be distributed to all Heads of Service and Elected Members for their information.

2. Please note that the numbers provided in this brief are subject to margins of error (this is especially true for more localised estimates) and some of the data is deemed ‘experimental’ in nature.

3. North Ayrshire Council believes a focus solely on enhancing Gross Domestic Product (GDP) as an output at a national level is not sufficient to recognise the wider levels of economic, social and environmental wellbeing across our communities, however regular GDP updates are the best available economic data source (combined with labour market data) to understand the national economic and sectoral impact of Covid-19.

ONS – GDP monthly estimate, UK: November 2020[4]

Headline GDP Data

- Following six consecutive monthly increases, including an upwardly revised 0.6% increase in October, GDP fell by 2.6% in November 2020. Restrictions were in place to varying degrees across all four nations of the UK during November.
- Table 1 compares the size of the UK economy to the pre-COVID-19 benchmark of February (the last month before the effects of the lockdown and the pandemic were felt), to contextualise where we are and where we have been.

Table 1: UK GDP levels November

GDP growth: October to November	**-2.6%**
November's GDP estimate as a percentage of the pre-COVID-19 benchmark (February 2020)	91.4%
Lowest monthly GDP estimate since February: April 2020 (expressed as a % of the February level of GDP)	74.7%

Sectoral Overview

- Production sector growth fell marginally by 0.1% in November 2020 as three out of the four sub-sectors declined. The manufacturing sector demonstrated resilience as it grew by 0.7%, with 8 out of its 13 sub-sectors increasing; the largest contribution came from the manufacture of motor vehicles industry, which grew 5.7% in November. For local context, manufacturing is by far North Ayrshire's most important industry in economic output terms.
- Output in construction grew by 1.9% in November 2020, the seventh consecutive month of growth, suggesting this sub-sector was largely unaffected by the reintroduction of new restrictions on the UK level.
- Output in the services sector fell by 3.4% in November 2020. Consumer-facing services saw a greater loss in output compared with all other services as restrictions on activity were reintroduced in November 2020.

4. Source: ONS – GDP monthly estimate, UK: November 2020

ONS – Labour market overview, UK: January 2021[5]

Labour Market Overview

- Estimates for September to November 2020 show 32.5 million people aged 16 years and over in employment, 398,000 fewer than a year earlier. This was the largest annual decrease since December 2009 to February 2010. Employment decreased by 88,000 on the quarter.
- Early estimates for December 2020 indicate that the number of payrolled employees fell by 2.7% compared with December 2019, which is a fall of 793,000 employees; since February 2020, 828,000 fewer people were in payrolled employment.

Furlough

- However, it is clear that these latest labour market figures do not reflect the true state of the Scottish and UK economies as the furlough scheme helps to keep people in jobs that might not otherwise survive the current economic climate.
- Stuart McIntyre, Head of Research at the Fraser of Allander Institute, notes that roughly 200,000 jobs in Scotland were still furloughed at the end of October, down from 500,000 in July, but this still represents over 7% of all jobs in Scotland.

Table 2 – UK and Scottish level employment, unemployment and economic inactivity rates (Sept-Nov 2020)[6]

	Employment	Unemployment	Economic Inactivity
UK	**75.2%**	**5.0%**	**20.7%**
Increase on Quarter	**-0.4%pts**	**+0.6%pt**	**-0.1%pts**
Increase on Year	**-1.1%pts**	**+1.2%pts**	**+0.2%pts**
Scotland	**74.4%**	**4.4%**	**22.1%**
Increase on Quarter	**+0.5%pts**	**-0.1%pts**	**-0.5%pts**
Increase on Year	**+0.1%pts**	**+0.6%pts**	**-0.6%pts**

5. Source: ONS – Labour market overview, UK: January 2021

6. Source: Scottish Government - Labour market trends: January 2021

ONS – Labour market overview, UK: January 2021

Redundancies

- The number of redundancies reached a record high in the period for September to November 2020, increasing by 280,000 on the year, and 168,000 on the quarter, to a record 395,000. However, on a weekly basis, the data shows that the latest figures for November are below the highs observed in September.

Vacancies

- There were an estimated 578,000 vacancies in the UK in October to December 2020; this is 224,000 fewer than a year ago and 81,000 more than the previous quarter.
- Between 8 and 15 January 2021, the volume of online job adverts decreased in 26 out of 28 categories – ONS analysis of Adzuna data7. In the week ending 15 January 2021, the volume of UK online job adverts decreased by 4 percentage points from the previous week to 68% of the level seen in the same week last year.

Hours Worked

- Although decreasing over the year, total hours worked increased from the low levels in the previous quarter, even with the September to November period covering a time when a number of coronavirus lockdown measures were reintroduced.
- Between June to August 2020 and September to November 2020, total actual weekly hours worked in the UK saw an increase of 89 million (+10%) to 980 million hours.
- Average actual weekly hours worked saw an increase of 2.8 hours on the quarter to 30.1 hours.

Age and Gender Labour Market Statistics Analysis

- The February monthly briefing will feature analysis on the available labour market data and explore the impacts by gender and age.

7. Source: [ONS - Coronavirus and the latest indicators for the UK economy and society: 21 January 2021]

ONS – North Ayrshire Labour Market Data

Employment

- North Ayrshire's employment rate experienced a modest increase on the previous data release of 0.2 percentage points; however, it is still 4.8 percentage points below the Scottish rate.

Unemployment

- North Ayrshire's unemployment rate climbed 1.0% since the Jul 2019 – Jun 2020 data release, it is now 71% higher than the Scottish rate over the same period.

Economic Inactivity

- Arguably the most concerning point of note from this release is the economic inactivity data, which has increased 0.4 percentage points on the previous release and an astonishing 2.5 percentage points on the same period for the previous year – it is 3.8 percentage points higher than the Scottish rate over the period. This potentially highlights an increase in those discouraged from searching for work due to COVID-19, and it could be exacerbating an already persistent problem in North Ayrshire.

Table 3 – North Ayrshire level employment, unemployment and economic inactivity rates (Oct 2019-Sep 2020)[8]

	Employment	Unemployment	Economic Inactivity
North Ayrshire (Oct 2019-Sep 2020)	69.0%	6.0%	27.3%
Increase on Jul 2019-Jun 2020	+0.2%pts	+1.0%pts	+0.4%pts
Increase on Oct 2018-Sep 2019	-1.2%pts	+/-0.0%pts	+2.5%pts
Scotland (Oct 2019-Sep 2020)	73.8%	3.5%	23.5%

8. Source: NOMIS - Labour Market Profile - North Ayrshire

ONS – Claimant Count

Claimant Count Overview

- For Scotland and the Ayrshires, the experimental claimant count (estimate of people claiming unemployment related benefits) marginally declined between November and December 2020; whereas the UK rate experienced a slight increase. It remains to be seen what the impact of the latest measures aimed at curbing the effects of COVID-19 will have upon the claimant count.

- The North Ayrshire rate for claimants as a proportion of the working age population (aged 16-64) remains the highest in Scotland at 8.2% – Glasgow City is second at 8.1% and Orkney is lowest on 2.8%. East Ayrshire (7.4%) ranks fourth highest and South Ayrshire (6.9%) ranks sixth highest, meaning that Ayrshire as a whole significantly ranks behind the Scottish average rate (5.9%).

Table 4 – Claimant Count data for the Ayrshires, Scotland and the UK (December 2020)[9]

Area	Claimant count	Claimants as a proportion of residents aged 16-64	Change in claimant count between November and December 2020
East Ayrshire	5,660	7.4%	-70
North Ayrshire	6,685	8.2%	-30
South Ayrshire	4,560	6.9%	-15
Scotland	207,180	5.9%	-1650
United Kingdom	2,610,290	6.3%	5465

9. Source: [NOMIS - Dataset Selection]

Google Mobility Changes: North Ayrshire & the UK (19 January)[10]

Retail & Recreation

- The Google mobility charts utilise anonymized insights from products such as Google Maps to help decision makers during COVID 19.
- Figure 2 (North Ayrshire) shows that retail and recreation footfall has been severely hit throughout the post Christmas period – potentially an early indicator of the difficult business environment in January following new measures aimed at stemming the latest COVID-19 spike.
- While North Ayrshire has been marginally less impacted in comparison to the UK average, it is concerning that since we last examined this data in early December the North Ayrshire figure has increased by 24 percentage points, compared to 10 percentage points for the UK – although this may be at least partially explained by the differences in COVID-19 measures between the four nations of the UK.

Figure 2 – movement trends over time by geography, Retail and Recreation in North Ayrshire

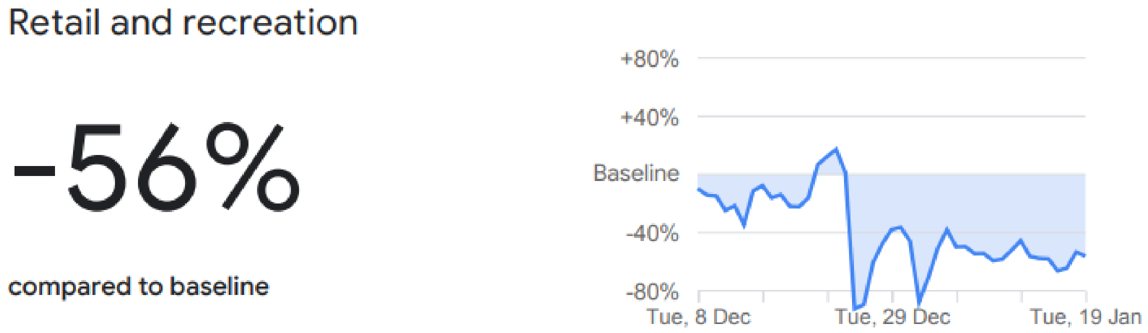
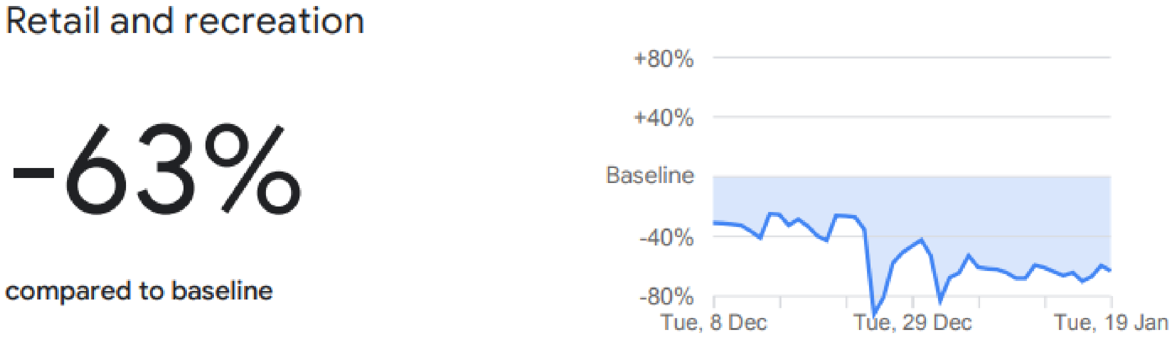


Figure 3 – movement trends over time by geography, Retail and Recreation in the UK



10. Source: Google Mobility Data

Other Insights into the COVID-19 Economy

UK Level Socioeconomic Impacts[11]

- The labour market shocks associated with the coronavirus (COVID-19) pandemic have been felt more by young people and the lowest paid; people aged under 30 years and those with household incomes under £10,000 were around 35% and 60%, respectively, more likely to be furloughed than the general population.
- Throughout the pandemic, employed parents were almost twice as likely to report a reduction in income than the general employed population, although this gap gradually narrowed throughout 2020 as schools reopened.
- By December 2020, nearly 9 million people had to borrow more money because of the coronavirus pandemic; the proportion borrowing £1,000 or more also increased from 35% to 45% since June 2020.

COVID-19 and Retail in the UK[12]

- Total online retailing values increased by 46.1% in 2020 when compared with 2019, the highest annual growth reported since 2008, while clothing stores (-25.1%), fuel stores (-22.2%), "other stores" (-11.6%) and department stores (-5.2%) all recorded record annual declines in sales volumes.
- Food stores (+79.3%), "other stores" (+73.9%), household goods stores (+73.4%) and department stores (+65.9%) all recorded record annual increases in values of internet sales in 2020 when compared with 2019.

11. Source: ONS - Personal and economic well-being in Great Britain: January 2021
12. Source: ONS - Retail sales, Great Britain: December 2020